

13. We reaffirm our commitment to the Treaty's basic obligations and our undertaking to refrain from acts which would defeat the object and purpose of the Treaty pending its entry into force.

14. We remain steadfast in our commitment to pursue the efforts to ensure that the Treaty's verification regime shall be capable of meeting the verification requirements of the Treaty at entry into force, in accordance with the provisions of article IV of the Treaty. In this context, we will continue to provide the support required to enable the Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization to complete its tasks in the most efficient and cost-effective way.

15. The Conference addressed the issue of possible future conferences, expressed the determination of its participants to continue working towards entry into force of the Treaty and took note of the provisions contained in paragraph 3 of article XIV of the Treaty.

## PERSONAL EXPLANATION

### HON. CHARLES A. GONZALEZ

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, December 19, 2001

Mr. GONZALEZ. Mr. Speaker, on rollcall No. 483, 484, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498.

Had I been present, I would have voted 483—yes, 484—yes, 485—yes, 486—yes, 487—no, 488—yes, 489—no, 490—yes, 491—yes, 492—yes, 493—yes, 494—yes, 495—yes, 496—yes, 497—yes, 498—yes.

## CASPIAN PIPELINE OPENS

### HON. JOE BARTON

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, December 19, 2001

Mr. BARTON. Mr. Speaker, I commend to my colleagues the following article:

[From the Washington Times, Dec. 3, 2001]

#### CASPIAN PIPELINE OPENS

(By Christopher Pala)

ALMATY, KAZAKHSTAN.—The first pipeline built to bring Kazakhstan's oil to world markets was dedicated in Russia last week, four months late and minus the presidents of the two countries through which it passed.

Speeches delivered near the Russian port of Novorossiisk called the 940-mile steel tube a symbol of international cooperation, and that it is indeed: The Russian Federation and American and Russian oil companies have provided most of the \$2.6 billion cost, and Russia stands to earn \$20 billion over the 40-year life of the pipeline.

But the pipeline is also:

The first step to Kazakhstan's ambitious plan to deliver 3 million barrels a day in 15 years to world markets and become one of the top three oil exporters in the world.

A multibillion-dollar bet by Chevron Corp. in 1993 that is now set to pay off handsomely.

An example of the difficulty of doing business in Russia.

Proof that with perseverance, it can be done.

The pipeline, built by the 11-member Caspian Pipeline Consortium, known as CPC, starts on the desert shores of the northeast Caspian Sea at Tengiz, Kazakhstan, the world's sixth-largest oil field.

The longest 40-inch pipe in the world then curls around the Caspian before striking west across the broad plains north of the Caucasus range and ends at a tanker terminal 10 miles west of Novorossiisk.

When completed, at a final cost of \$4 billion, it will be able to carry up to 1.3 million barrels per day (bpd), more than double its initial capacity.

#### PEAK A DECADE OFF

Output at the Tengiz field, now 270,000 bpd, is not expected to rise to a peak of 700,000 bpd until the end of the decade, said Tom Winterton, head of the Tengizchevroil consortium exploiting the field.

Thus, the pipe has plenty of room for oil from other fields—and there lies one of the major disputes that have delayed the opening.

When Chevron took over Tengiz from its post-Soviet managers, it created one consortium for the oil field and a second one to build a pipeline to the Black Sea.

For the first few years, Tengizchevroil, in which Chevron owns 50 percent, diligently overcame such obstacles as the extreme depth of the reservoir (2½ miles below the surface), its high content of poisonous sulfur dioxide and the high pressure at which the oil was flowing. Production steadily climbed from 25,000 bpd and the jinx that gave Tengiz the longest uncontrolled blowout in soviet history was overcome.

But in those years, the pipeline consortium got strictly nowhere in its efforts to persuade Russia and its pipeline monopoly Transneft to allow an outlet through Russia to the Black Sea.

It was not until 1996 that two newly created Russian oil giants, Lukoil and Rosneft, bought into the consortium while the Russian government took a 24 percent share. Then things started moving.

Construction took less than three years.

Transneft Director Semyon Vainshtock tried to fight a rear-guard battle, insisting that what was bad for Transneft was bad for Russia, but the pipeline consortium, headed by Russian Sergei Gnatchenko and assisted by Chevron's Fred Nelson, the consortium's deputy general director for projects, argued that Russia stood to gain from the added production in a non-zero-sum game.

That was just the beginning.

#### ROCKY ROAD SO FAR

"We had to go through five Russian local governments," Mr. Nelson said recently. "It wasn't always easy."

Twice, customs disputes halted the flow of the oil at the Russia-Kazakhstan border.

This year, the biggest dispute among CPC members turned ugly and public when it derailed the opening ceremony that had been scheduled for Aug. 6 with the Russian and Kazakh presidents in attendance.

Tengiz oil, until the pipeline was built, was exported entirely through Russia and mostly by rail.

Part of its highly prized light "sweet" crude (which sells for up to a dollar a barrel more than Brent, the benchmark crude oil) was mixed along the way with less desirable Russian crudes to make "Urals Blend," which trades at nearly a dollar below Brent.

"The Russians got a free ride for years," said a diplomat familiar with the situation.

But for the pipeline, Chevron insisted on instituting what is called a quality bank—a

system penalizing those who would add low-quality crude to the mostly Tengiz CPC Blend.

Quality banks are used in most places in the world where low- and high-quality crude oils are blended in pipelines, but the Russian partners relented only three days before the planned inauguration date, which was to coincide with the loading of the first tanker. The ceremony already had been canceled.

Then, the port authority of Novorossiisk extended its jurisdiction to the deserted piece of coast where holding tanks are buried near the end of the pipeline. There is no port: floating hoses are used to fill tankers moored offshore.

The move allowed the port authorities to demand a hefty port tax. Negotiations caused further delays. Eventually, said oil analyst Ivan Mazalov at Troika Dialog in Moscow, "They were bargained down quite a bit."

Other delays pushed back the date of the loading of the first tanker to Oct 13.

By the time all the difficulties were ironed out, five fully loaded tankers had weighed anchor and sailed over the Black Sea to the Bosphorus Strait, across the Sea of Marmara, through the Dardanelles to the Mediterranean Sea, and on to refineries in Europe.

A sixth one was loading when the ceremony took place.

#### CHEVRON GAMBLER, WON

While Russia and the United States ended up represented by deputy ministers, Chevron-Texaco sent Chairman David O'Reilly and the incoming and outgoing vice chairmen of the world's fourth-largest oil company.

That was not surprising: Both the pipeline and the giant oil field it serves are Chevron's babies, multibillion-dollar gambles that finally are paying off. As the foreign biggest investment in the former Soviet Union, oil field and pipeline are testimony that with perseverance, Westerners and Russians can work together.

"CPC is a bellwether project for successful international cooperation," Mr. O'Reilly reportedly said at the ceremony. "It demonstrates the confidence the international business community has to invest in Russia and Kazakhstan."

But if Russia, Kazakhstan and world consumers can join Chevron in rejoicing at the pipeline's completion, Turkey has exhibited mostly concern.

The extra tankers carrying Tengiz oil, which eventually will number three a week, will further clog the Bosphorus Strait that bisects Istanbul and increase the chances that the city of 12 million people some day will have to cope with a major oil spill or even a fire.

But Turkey is committed to upholding the 1936 Montreux Agreement and, barring a catastrophe, Caspian oil will be able to navigate the strait to reach European markets for the foreseeable future, analysts say.

## UNDERPINNINGS OF ADMINISTRATIONS' BUDGET NO LONGER HOLD

### HON. JOHN M. SPRATT, JR.

OF SOUTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, December 19, 2001

Mr. SPRATT. Mr. Speaker, President Bush claims that his administration has "brought